

Registered no: 1287461

Dyfed Steels Limited

**Annual report
for the year ended 31 January 2006**



Dyfed Steels Limited

Annual report for the year ended 31 January 2006

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Dyfed Steels Limited

1

Directors and advisers

Executive directors

D W Thomas
R Price

Secretary and registered office

R Price
Tube Works
Maescanner Road
Dafen
Llanelli
SA14 8NS

Auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

Bankers

HSBC Bank plc
97 Bute Street
Cardiff
CF10 5NA

**Directors' report
for the year ended 31 January 2006**

The directors present their report and the audited financial statements for the year ended 31 January 2006.

Principal activities

The principal activity of the group is that of metal stockholders.

Review of business and future developments

The consolidated profit and loss account for the financial year is set out on page 5.

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future and that the profitability of the group will continue in the foreseeable future.

Dividends

A dividend of £50,000 was paid in the year ended 31 January 2006 (2005: £Nil – restated see note 1).

Directors

The directors of the company at 31 January 2006 and for the whole of the year then ended, unless otherwise indicated, were:

D W Thomas
R Price

Directors' interests in shares of the company

The interests of the directors of the company in the shares of the company at 31 January 2006, according to the register required to be kept by Section 325 of the Companies Act 1985, were as follows:

	Number of ordinary shares of £1 each	
	31 January 2006	31 January 2005
D W Thomas	44,999	44,999
R Price	-	-

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The company seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Price risk

The company is exposed to commodity price risk as a result of its operations. The directors monitor market movements in material price on a regular basis, but do not consider it cost beneficial to undertake any formal hedging arrangements. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

The company actively maintains short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and group and of the profit or loss of the company and group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board

Company secretary
21 July 2006



**Independent auditors' report to the members of
Dyfed Steels Limited**

We have audited the group and parent company financial statements (the "financial statements") of Dyfed Steels Limited for the year ended 31 January 2006, which comprise the group profit and loss account, the group and company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Standards) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications of our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 January 2006 and of the group's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Richard Howells
Chartered Accountants and Registered Auditors
Cardiff,

21 July 2006

**Consolidated profit and loss account
for the year ended 31 January 2006**

	Notes	2006 £000	2005 As restated £000
Turnover	2	30,109	30,278
Cost of sales		(20,593)	(19,524)
Gross profit		9,516	10,754
Net operating expenses	3	(8,238)	(8,425)
Operating profit	4	1,278	2,329
Interest payable and similar charges	6	(328)	(416)
Profit on ordinary activities before taxation		950	1,913
Tax on profit on ordinary activities	7	(319)	(619)
Profit for the financial year		631	1,294
Dividends payable	8	(50)	-
Retained profit	21	581	1,294

The turnover and operating profit for the financial year are derived from the continuing operations of the group.

**Statement of total recognised gains and losses
for the year ended 31 January 2006**

	2006	2005
	£000	£000
Profit for the year	631	1,294
Total gains recognised in the year	631	1,294

**Note of historical cost profits and losses
for the year ended 31 January 2006**

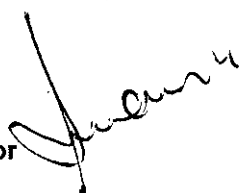
	2006	2005
	£000	As restated £000
Reported profit on ordinary activities before tax	950	1,913
Difference between historical cost depreciation charge and actual charge	16	16
Historical cost profit on ordinary activities before taxation	966	1,929
Historical cost profits for the year retained after tax and dividends	597	1,310

**Consolidated balance sheet
at 31 January 2006**

	Notes	2006 £000	2005 As restated £000
Fixed assets			
Intangible assets	10	80	59
Tangible assets	11	5,193	5,253
Investments	12	-	-
		5,273	5,312
Current assets			
Stocks	13	4,876	5,007
Debtors	14	6,035	7,044
Cash at bank and in hand		-	1
		10,911	12,052
Creditors: amounts falling due within one year	15	(9,982)	(11,872)
Net current assets		929	180
Total assets less current liabilities		6,202	5,492
Creditors: amounts falling due after more than one year	16	(1,285)	(1,181)
Provisions for liabilities and charges	19	(100)	(75)
Net assets		4,817	4,236
Capital and reserves			
Called up share capital	20	45	45
Revaluation reserve	21	1,232	1,232
Profit and loss account	21	3,540	2,959
Total shareholders' funds	22	4,817	4,236

The financial statements on pages 5 to 20 were approved by the board of directors on 21 July 2006 and were signed on its behalf by:

Director

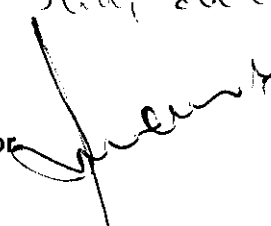


**Company balance sheet
at 31 January 2006**

	Notes	2006 £000	2005 £000
Fixed assets			
Intangible assets	10	29	-
Tangible assets	11	5,193	5,253
Investments	12	-	234
		5,222	5,487
Current assets			
Stocks	13	4,876	5,007
Debtors	14	6,035	7,044
Cash at bank and in hand		-	1
		10,911	12,052
Creditors: amounts falling due within one year	15	(9,982)	(13,266)
Net current liabilities		929	(1,214)
Total assets less current liabilities		6,151	4,273
Creditors: amounts falling due after more than one year	16	(1,285)	(1,181)
Provisions for liabilities and charges	19	(100)	(75)
Net assets		4,766	3,017
Capital and reserves			
Called up share capital	20	45	45
Revaluation reserve	21	882	882
Profit and loss account	21	3,839	2,090
Total shareholders' funds	22	4,766	3,017

The financial statements on pages 5 to 20 were approved by the board of directors on 21 July 2006 and were signed on its behalf by:

Director



**Consolidated cash flow statement
for the year ended 31 January 2006**

	Notes	2006 £000	2005 £000
Net cash inflow from continuing operating activities	25	2,482	1,536
Returns on investments and servicing of finance			
Interest paid on bank loans and overdrafts		(301)	(399)
Interest paid on finance leases and hire purchase agreements		(27)	(17)
Net cash outflow from returns on investments and servicing of finance		(328)	(416)
Taxation			
UK corporation tax paid		(533)	(18)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(191)	(106)
Sale of tangible fixed assets		-	-
Investment acquired		(31)	-
Net cash outflow from investing activities		(222)	(106)
Equity dividends paid		(50)	-
Net cash inflow/(outflow) before financing		1,349	996
Financing			
Other loan received		-	757
Repayment of other loans		(757)	-
Invoice discounting		112	(1,869)
Repayment of bank loans		(53)	(50)
Capital element of finance leases and hire purchase		(191)	(144)
Increase/(decrease) in cash	26	460	(310)

**Notes to the financial statements
for the year ended 31 January 2006****1 Accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of land and buildings.

Changes in accounting policies

The company has adopted FRS17 "Retirement Benefits", FRS21 "Events after the balance sheet date" and FRS25 "Financial Instruments: disclosures and presentation" in the financial statements. The adoption of FRS21 represents a change in accounting policy and the comparative figures have been restated accordingly. The effect of the change in accounting policy to adopt FRS21 was to recognise the proposed dividend for the year ended 31 January 2005 of £50,000 in the current year. The final proposed dividend for the current year of £Nil will be recognised in the following year as it has yet to be approved.

The adoption of FRS17 and FRS25 has not necessitated restatement of comparative information.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 January 2006. Intra-group sales, profits and balances are eliminated fully on consolidation.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services arising from the principal activity of the group and supplied during the financial year. The company and the group recognise amounts as turnover on despatch of the goods to its customers.

Intangible assets

Goodwill arising on acquisition represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. Goodwill arising on acquisition is eliminated by amortisation through the profit and loss account over its useful economic life, which the directors estimate to be 10 years.

Tangible fixed assets

Tangible fixed assets are stated at their purchase price together with any incidental costs of acquisition less accumulated depreciation.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a reducing balance basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	2
Plant and machinery	20
Fixtures and fittings	15
Motor vehicles	25

The cost of the leasehold property is being depreciated over the period of the lease.

Freehold land is not depreciated.

Grants

Revenue grants are written off to the profit and loss account in the year in which the relevant expenditure is incurred. Capital grants are capitalised and released to the profit and loss account over the useful economic life of the asset to which they relate.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be realised in the normal course of business after allowing for the cost of realisation and where appropriate the cost of conversion from its existing state to a finished condition. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group and company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profits in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and/or from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension scheme arrangements

The group operates defined contribution pension schemes for employees. The assets of the scheme are held separately from those of the company. Pension costs are accounted for on the basis of charging the contributions incurred each year against profits for the financial year.

Foreign currency

Foreign currency transactions are recorded in sterling at the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated to sterling at rates of exchange prevailing at the balance sheet date. Exchange gains or losses are included in the determination of operating profit.

Related party transaction disclosures

The company is exempt under FRS8 from disclosing related party transactions with its wholly owned subsidiary companies and has taken advantage of this exemption.

2 Turnover

The turnover of the group is wholly attributable to the principal activity of the group. The geographical analysis of turnover is as follows:

	2006 £000	2005 £000
Geographical analysis:		
United Kingdom	29,461	29,778
Rest of Europe	648	500
	30,109	30,278

3 Net operating expenses

	2006 £000	2005 £000
Administrative expenses	8,238	8,425
	8,238	8,425

4 Operating profit

Operating profit is stated after charging:

	2006 £000	2005 £000
Amortisation of goodwill (including impairment)	10	37
Depreciation charge on tangible owned fixed assets	287	294
Depreciation charge on tangible fixed assets held under hire purchase contracts	154	116
Auditors' remuneration		
Audit (company £26,000 (2005: £26,000))	26	26
Other services	7	7
Operating lease charges – motor vehicles	74	57
(Profit)/loss on sale of fixed assets	-	29

5 Directors and employees

	2006 £000	2005 £000
Staff costs:		
Wages and salaries	4,384	4,150
Social security costs	404	371
Pension costs (see note 18)	68	79
	4,856	4,600

	Number	Number
Average weekly numbers employed including directors:		
Production and distribution	155	153
Sales and administration	58	61
	213	214

	£000	£000
Directors' emoluments		
Remuneration	298	160

One director is accruing benefits under the pension schemes operated by the group.

The highest paid director received emoluments of £199,000 in 2005.

6 Interest payable and similar charges

	2006 £000	2005 £000
On bank overdrafts and other loans	301	399
On finance leases and hire purchase contracts	27	17
	328	416

7 Tax on profit on ordinary activities

	2006 £000	2005 £000
Current		
UK corporation tax on profits for the year	330	550
Adjustments in respect of prior periods	(36)	4
	294	554
Deferred (see note 19)		
Current year	25	42
Prior year	-	23
	319	619

The effective current rate for the period is lower (2005: lower) than the standard corporation tax rate applying in the UK of 30% (2005: 30%). The differences are explained below:

	2006 £000	2005 £000
Profit on ordinary activities before tax	950	1,913
Profit on ordinary activities multiplied by the rate of 30% (2005: 30)% in the UK	285	574
Effects of:		
Expenses not deductible for tax purposes	34	53
Accelerated capital allowances and other timing differences	11	(76)
Adjustments in respect of prior years	(36)	4
Tax at marginal rates	-	(1)
Current tax charge for the year	294	554

8 Dividends

	2006	2005
	£000	£000
Dividends paid of £Nil (2005: £1.11) per share	50	-

9 Profit for the financial year

Of the group profits for the year, £581,000 (£2005: £989,000) arose in the parent company.

As permitted by section 230 of the Companies Act 1985 the parent company's profit and loss account has not been included in these financial statements.

10 Intangible assets

	Goodwill
	£000
Group	
Cost	
At 1 February 2005	121
Additions	31
At 31 January 2006	152
Amortisation	
At 1 February 2005	62
Charge for the year	10
At 31 January 2006	72
Net book value	
At 31 January 2006	80
At 31 January 2005	59
	Goodwill
	£000
Company	
Cost	
At 1 February 2005	-
Additions	31
At 31 January 2006	31
Amortisation	
At 1 February 2005	-
Charge for the year	2
At 31 January 2006	2
Net book value	
At 31 January 2006	29
At 31 January 2005	-

11 Tangible fixed assets

Group	Freehold property	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 February 2005	3,733	2,626	474	1,759	8,592
Additions	-	178	26	177	381
At 31 January 2006	3,733	2,804	500	1,936	8,973
Depreciation					
At 1 February 2005	96	1,675	196	1,372	3,339
Charge for the year	72	145	72	152	441
At 31 January 2006	168	1,820	268	1,524	3,780
Net book amount					
At 31 January 2006	3,565	984	232	412	5,193
At 31 January 2005	3,637	951	278	387	5,253

The net book amount of tangible fixed assets owned by the group includes an amount of £723,000 (2005: £450,000) in respect of assets held under finance leases and hire purchase contracts. The depreciation charged in respect of such assets amounted to £154,000 (2005: £116,000).

The principal freehold properties occupied by the group were valued by Sibbet Gregory and Rowland & Jones, external valuers and chartered surveyors on the basis of market value, in accordance with the Appraisal Manual of The Royal Institution of Chartered Surveyors in November 2003 and January 2004 respectively.

The analysis of the freehold properties at historical cost is as follows:

	2006 £000	2005 £000
Cost	2,934	2,934
Depreciation	(582)	(524)
	2,352	2,410

Company	Freehold property	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 February 2005	3,733	2,626	474	1,759	8,592
Additions	-	178	26	177	381
At 31 January 2006	3,733	2,804	500	1,936	8,973
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12 Investments

Group	Other investments £000
Cost	
At 1 February 2005 and 31 January 2006	30
Amounts written off	
At 1 February 2005 and 31 January 2006	30
Net book value	
At 1 February 2005 and 31 January 2006	-

Company	Group companies £000	Other investments £000	Total £000
Cost			
At 1 February 2005 and 31 January 2006	234	30	264
Amounts written off			
At 1 February 2005	-	30	30
Charge for the year	234	-	234
At 31 January 2006	234	30	264
Net book value			
At 31 January 2006	-	-	-
At 31 January 2005	-	-	-

Group subsidiary companies comprise the following:

Company	Nature of business	Country of incorporation	Proportion of voting rights held	Holding
D S Southern Limited	Steel stockholders	England	100%	Ordinary shares
Ex Stock Steel Limited	Steel stockholders	England	100%	Ordinary shares
Excel Stock Steel Limited	Steel stockholders	England	100%	Ordinary shares
Dyfed Steel Midlands Limited	Steel stockholders	England	100%	Ordinary shares
Dyfed Steel Southwest Limited	Steel stockholders	England	100%	Ordinary shares

13 Stocks

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Raw materials	4,876	5,007	4,876	5,007

14 Debtors

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Amounts falling due within one year				
Trade debtors	5,977	6,945	5,977	6,945
Prepayments and accrued income	58	99	58	99
Amounts owed by group undertakings	-	-	-	-
	6,035	7,044	6,035	7,044

15 Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Bank loans and overdraft (see (a) below)	144	605	144	605
Other loans	-	757	-	757
Trade creditors	5,217	6,083	5,217	6,083
Corporation tax	311	550	311	550
Other taxation and social security	482	504	482	504
Amounts owed to group companies	-	-	-	1,394
Accruals and deferred income	923	638	923	638
Other creditors (see (b) below)	2,719	2,607	2,719	2,607
Amounts due under finance leases and hire purchase agreements	186	128	186	128
	9,982	11,872	9,982	13,266

- (a) The bank loans and overdraft are secured by a fixed and floating charge against the assets of the group.
- (b) The group has entered into a contract that provides invoice discounting facilities in respect of its trade debts. An amount of £2,719,000 (2005: £2,607,000 factoring facility) is included in other creditors. The invoice discounting company holds a floating charge over the trade debtors of the group.

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Bank loans	908	961	908	961
Amounts due under finance leases and hire purchase agreements	377	220	377	220
	1,285	1,181	1,285	1,181

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Bank loans	413	466	413	466

17 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Amounts payable within one year	186	128	186	128
Amounts payable between one to two years	145	101	145	101
Amounts payable between three and five years	232	119	232	119
	563	348	563	348

18 Pensions

The group operates defined contribution pension schemes for directors and senior employees, the assets of which are separately administered from the company and the group. The pension costs, which represent contributions payable by the group, amounted to £68,000 (2005: £79,000).

19 Deferred tax

The movements in the deferred tax can be analysed as follows:

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
At 1 February 2005	75	10	75	-
Transfers from subsidiaries	-	-	-	15
Transfer to profit and loss account	25	65	25	60
At 31 January 2006	100	75	100	75

Deferred taxation provided in the financial statements is as follows:

Group	Amount provided		Amount unprovided	
	2006 £000	2005 £000	2006 £000	2005 £000
Tax effect of timing differences due to:				
Accelerated capital allowances	125	111	-	-
Other timing differences	(25)	(36)	-	-
	100	75	-	-

Company	Amount provided		Amount unprovided	
	2006 £000	2005 £000	2006 £000	2005 £000
Tax effect of timing differences due to:				
Accelerated capital allowances	125	111	-	-
Other timing differences	(25)	(36)	-	-
	100	75	-	-

Revaluations of freehold property assets have resulted in a potential deferred tax liability of £189,000 (2005: £240,000) which has not been provided for on the basis that the group has not entered into any binding agreements to sell the revalued assets.

20 Called-up share capital

	2006 £	2005 £
Authorised		
45,000 ordinary shares of £1 each	45,000	45,000
Allotted, called up and fully paid		
45,000 ordinary shares of £1 each	45,000	45,000

21 Reserves

	Group revaluation reserve	Company revaluation reserve	Group profit and loss account	Company profit and loss account
	£000	£000	£000	£000
At 1 February 2005	1,232	882	2,909	2,040
Prior year adjustment – FRS21 (see note 1)	-	-	50	50
At 1 February 2005 (as restated)	1,232	882	2,959	2,090
Retained profit	-	-	581	1,749
At 31 January 2006	1,232	882	3,540	3,839

22 Reconciliation of movements in shareholder's funds

	Group		Company	
	2006	2005	2006	2005
	£000	As restated £000	£000	As restated £000
Profit for the financial year	631	1,294	1,799	502
Dividends	(50)	-	(50)	-
Retained profit	581	1,294	1,749	502
Opening shareholders' funds as previously reported	4,186	2,942	2,967	2,515
Prior year adjustment – FRS21 (see note 1)	50	-	50	-
Opening shareholders' funds as restated	4,236	2,942	3,017	2,515
Closing shareholders' funds	4,817	4,236	4,766	3,017

23 Capital commitments

The amount of capital expenditure contracted for but not provided for amounted to £Nil (2005: £132,000).

24 Financial commitments

At 31 January 2006 the group and company had annual commitments under non-cancellable operating leases as follows:

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Other				
Expiring within one year	8	-	8	-
Expiring between two to five years	14	71	14	71
Expiring in over five years	47	-	47	-
	69	71	69	71
Land and buildings				
Expiring in over five years	-	-	-	-
	69	71	69	71

25 Reconciliation of operating profit to net cash inflow from continuing operating activities

	2006 £000	2005 £000
Operating profit	1,278	2,329
Amortisation	10	37
Depreciation on tangible fixed assets	441	410
(Profit)/loss on sale of fixed assets	-	29
Decrease/(increase) in stocks	131	(635)
Decrease/(increase) in debtors	1,009	(772)
(Decrease)/increase in creditors	(387)	138
Net cash inflow from continuing operating activities	2,482	1,536

26 Reconciliation of net debt

	2006 £000	2005 £000
Increase/(decrease) in cash in the year	460	(310)
Cash outflow from decrease in debt and hire purchase and finance leases	889	1,306
New hire purchase and finance leases in the year	(406)	(125)
Movement in net debt during the year	943	871
Net debt at 1 February 2005	(5,277)	(6,148)
Net debt at 31 January 2006	(4,334)	(5,277)

27 Movement in net debt

	At 31 January 2005 £000	Cash flow £000	Non-cash changes £000	At 31 January 2006 £000
Net cash				
Cash at bank and in hand	1	(1)	-	-
Bank overdraft	(481)	461	-	(20)
	(480)	460	-	(20)
Debt				
Debt due within one year (bank and other loans)	(881)	757	-	(124)
Debt due after one year (bank loan)	(961)	53	-	(908)
Invoice discounting	(2,607)	(112)	-	(2,719)
Hire purchase and finance leases	(348)	191	(406)	(563)
	(4,797)	889	(406)	(4,314)
	(5,277)	1,349	(406)	(4,334)

28 Ultimate controlling party

The directors regard D W Thomas as the ultimate controlling party by virtue of his 100% interest in the equity share capital of Dyfed Steels Limited.

29 Related party transactions

Included in other debtors was a loan of £3,000 (2005: £Nil) to D W Thomas. This was subsequently received after the year end. Purchases of £2,258 were made from SPW Training and Recruitment, a company in which the wife of R Price has a controlling interest.

30 Contingent liabilities

Letters of credit amounting to £786,000 were outstanding at 31 January 2006 (2005: £Nil).

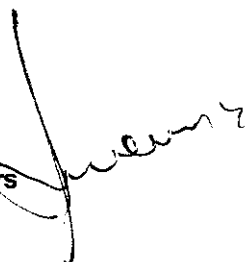
Dyfed Steels Limited

Consolidated trading and profit and loss account for the year ended 31 January 2006

	2006 £	2005 £
Turnover	30,108,658	30,277,915
Cost of sales	(20,592,580)	(19,523,516)
Gross profit	9,516,078	10,754,399
Administrative expenses	(8,237,414)	(8,423,895)
Operating profit	1,278,664	2,330,504
Interest payable	(328,273)	(415,597)
Profit before taxation	950,391	1,914,907

The directors approved the profit and loss account of Dyfed Steels Limited for the year ended 31 January 2006 on _____ and it was signed on their behalf by:

Directors



Dyfed Steels Limited

Analysis of profit and loss expenses for the year ended 31 January 2006

	2006 £	2005 £
Personnel costs		
Wages and salaries	4,384,000	4,150,185
Employers' NI	404,223	370,500
Staff pension	68,000	78,507
	4,856,223	4,599,192
Establishment expenses		
Rent and rates	233,069	198,612
Light and heat	106,199	103,892
Insurance	400,849	667,174
Repairs and maintenance	652,558	665,257
	1,392,675	1,634,935
General expenses		
Release of PAYE provision	(90,676)	-
Motor expenses	718,548	734,460
Other motor and travel expenses	40,080	23,801
Sub-contract machinery and cutting	3,250	4,912
Telephone	102,460	96,125
Equipment leasing charges	80,132	45,415
Plant hire	6,075	11,497
Haulage and carriage	49,494	48,921
Stationery and postage	50,816	54,105
Staff training and welfare	28,859	6,937
General expenses	103,720	80,540
Protective clothing, cleaning and waste disposal	37,958	26,248
Safety and security	25,573	27,243
Subscriptions	357	255
Computer costs	26,775	47,329
Advertising and promotions	43,953	38,341
Entertaining	10,422	7,654
Donations	384	245
Discounts received and allowed	44,541	56,509
Legal and professional fees	32,894	9,459
Auditors' remuneration	42,100	50,385
Amortisation	9,640	12,000
Goodwill written off	-	24,500
Depreciation	436,123	409,330
(Profit)/loss on disposal of assets	(2,750)	29,259
	1,800,728	1,845,470
Financial costs		
Bank charges	67,400	52,272
Bad debts written off	120,388	292,026
	187,788	344,298
Total admin expenses	8,237,414	8,423,895
Interest payable		
Factoring charges	36,918	64,484
Bank interest payable	264,696	333,946
HP and finance lease charges	26,659	17,167
Total interest payable	328,273	415,597

